

Message Text

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64

ACTION XMB-04

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 1385

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DEPT PASS EXIMBANK FOR TUTINO

E.O. 11652: N/A

TAGS: EFIN, GR

SUBJECT: EXIMBANK VISITTO GREECE: SCALISTIRI MAGNESITE PROJECT

REF: (A) ATHENS 8840; (B) STATE 255579; (C) ATHENS 7466

1. EXIMBANK TEAM LEAD BY EXECUTIVE VICE PRESIDENT TUTINO AND SENIOR DEPUTY VICE PRESIDENT BIERMAN HAD USEFUL AND FRANK EXCHANGE WITH SCALISTIRI DURING HOUR-LONG MEETING AT HIS OFFICE AND DURING EXTENSIVE TOUR OF SCALISTIRI GROUP MAGNESITE FACILITIES ON EUBOEA. SCALISTIRI HAD ALREADY MADE KNOWN TO ECONOMIC/COMMERCIAL COUNSELOR HIS GREAT DISAPPOINTMENT OVER EXIMBANK POSITION ON LOAN FOR SEA WATER MAGNESITE PROJECT FEASIBILITY STUDY (REF B AND C).

2. DURING DISCUSSIONS WITH EXIMBANK TEAM SCALISTIRI EMPHASIZED HIS HIGH REGARD FOR THE QUALITY OF US EQUIPMENT AND HIS GENERAL PREFERENCE FOR US PRODUCTS, ADDING THE QUALIFIER THAT FINANCIAL TERMS HAVE A LARGE IMPACT ON THIS OVERSEAS PROCUREMENT DECISIONS. FINANCING FOR FEASIBILITY STUDY IS A CLOSED CHAPTER, BUT, ASSUMING RESULTS OF STUDY ARE POSITIVE, HE

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WILL BEGIN BUYING EARLY NEXT SPRING THE \$30 MILLIONIN OVERSEAS

EQUIPMENT REQUIRED FOR PROJECT. HE DOES NOT WISH TO PRECLUDE US PURCHASES, BUT EXIMBANK'S TERMS OF PARTICIPATION WILL DETERMINE TO A GREAT EXTENT WHETHER OR NOT HE SEEKS U.S. EQUIPMENT. SCALISTIRI ASSERTED THAT EUROPEAN OFFICIAL EXPORT FINANCING INSTITUTIONS HAD OFFERED BETTER TERMS ON PURCHASES FOR THIS PROJECT THAN EXIMBANK HAD ON FEASIBILITY STUDY AND THAT THESE INSTITUTIONS DID NOT INSIST ON RIGOROUS SECURITY REQUIREMENTS, SIMILAR TO THOSE OF EXIMBANK; HE PRODUCED SEVERAL PIECES OF CORRESPONDENCE WHICH APPEARED TO CORROBORATE HIS CLAIM.

3. TUTINO RESPONDED THAT EXIMBANK IS NOT SUBSIDIZED AND PERHAPS COULD NOT IN ALL RESPECTS MEET TERMS OFFERED BY EUROPEANS. HOWEVER, HE INDICATED THAT EXIMBANK COULD PROVIDE SCALISTIRI WITH TIMELY RESPONSE TO REQUEST ON SEA WATER MAGNESITE PROJECT, INCLUDING OUTLINE OF CONDITIONS FOR VARIOUS LEVELS OF FINANCING WHICH EXIMBANK MIGHT SUPPORT. SCALISTIRI EXPRESSED SATISFACTION WITH TUTINO SUGGESTION, EMPHASIZING THAT HE WOULD NEED RAPID RESPONSE ONCE FEASIBILITY STUDY SUCCESSFULLY CONCLUDED.

4. COMMENT: EMBASSY HAS ALREADY COMMENTED IN DETAIL (SEE REF C) ON IMPORTANCE AND POTENTIAL OF SCALISTIRI GROUP AND OF THIS SPECIFIC PROJECT, THE FIRST LARGE INVESTMENT PROJECT TO GET OFF THE GROUND SINCE THE RETURN OF DEMOCRACY AND, FROM AN ECONOMIC VIEW POINT, THE FIRST SINCE THE 1974 SLUMP. PARTICIPATION BY EXIMBANK WOULD HAVE A SIGNIFICANT IMPACT HERE (A) IN TERMS OF PUBLICIZING EXIMBANK'S PROGRAMS AND DESIRE TO EXPAND EXPOSURE IN GREECE; (B) AS A STIMULUS TO U.S. FIRMS' PENETRATION OF THE EXPANDING MINERAL PROCESSING MARKET, AND (C) IN BROADER CONTEXT AS A MANIFESTATION OF USG INTEREST IN GREECE'S ECONOMIC AND DEVELOPMENT NEEDS. FOR THESE REASONS, EMBASSY HOPES THAT EXIMBANK WILL BE ABLE TO TAKE INTO ACCOUNT LOCAL GREEK BUSINESS PRACTICES AND THE COMPETITION OF OTHER EXPORT FINANCING INSTITUTIONS IN EVALUATING SCALISTIRI REQUEST, AND FIND SOME FORMULA FOR PROVIDING FAVORABLE TERMS FOR AT LEAST PART OF THIS IMPORTANT VENTURE.
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